

# *Viatical Settlements*

What you should know before you invest  
in a viatical settlement



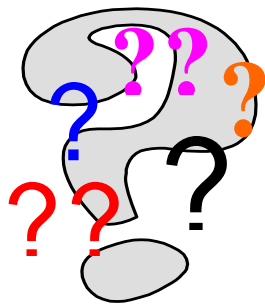
State of Tennessee  
Department of Commerce and Insurance



**Securities Division**

## UNDERSTANDING VIATICAL SETTLEMENTS

Viatical settlements allow life insurance policy holders to sell their policies to investors for an immediate cash benefit. In return, the purchasers of the viatical settlement assume responsibility for paying the remaining premiums and become the beneficiaries of the life insurance policy.



You may have been approached by a viatical company or broker to invest in a viatical settlement. Before putting your savings into this type of investment, it is critical that you understand the risks involved, know how your investment will be used, and what the likely return will be.

Some of that information is provided here. However, this is only a starting point. If you have additional questions, please contact us.

## BE AN INFORMED INVESTOR

**Investing in a viatical settlement involves risks.** Viatical settlements are not like "certificates of deposit" - here's why.



- ➔ **Viatical settlements are not a liquid investment.** There is no return on the investment until the death benefit is paid. If you invest in a viatical settlement, you will not have access to these funds until after the insured dies.
- ➔ **The annual return on a viatical settlement investment can never be guaranteed because it is impossible to reliably predict an individual's actual life span.** Improvements in medical treatments further increase the difficulty of making an accurate prediction of how long a person may live.
- ➔ **Policy premiums must continue to be paid until the insured individual dies.** Find out who will be responsible for paying the premiums, what guarantees are in place, and whether there is a chance you will have to invest more money. If the premiums are prepaid, know who will be responsible for making the premium payments if the insured lives beyond the life expectancy.
- ➔ **Funds invested in viatical settlements may not be eligible for an IRA, 401(k), or Keogh.** If you invest these funds in a viatical you will lose the favorable tax advantage. Check with your tax advisor.

## WATCH FOR THESE OTHER RISKS



You could be investing in a policy with special risks if ..

- **the policy is still in the "contestable" period.** If a life policy is less than two years old the insurance company could refuse to pay the death benefit for various reasons.
- **it is a "term" life policy** issued for a certain number of years. An insurance company will not pay the death benefit if the insured outlives the term period of the policy..
- **it is a "group" policy** which is usually owned by an employer or other organization. A group policy can be terminated by the employer or the insurance company and there may be higher premiums or limits on the insured's rights to convert to an individual policy.

## QUESTIONS YOU SHOULD ASK BEFORE INVESTING IN A VIATICAL

- 1) Is the principal and return on my investment guaranteed?
- 2) How will the return on my investment be calculated?
- 3) When is the principal and return on my investment paid?
- 4) Will I ever be asked to pay the premiums for the insurance policy?
- 5) Who is responsible for monitoring the status of the insurance policy and the insured?
- 6) Are there any fees and costs that I would be responsible for paying?
- 7) Has the contestable period for the life insurance policy passed?
- 8) How do I know my money was actually used to purchase the policy?

A viatical settlement is a complex financial arrangement which may require professional guidance. We suggest you consult an accountant or an attorney before investing.

## AGENT/BROKERS MUST BE LICENSED

These products and the people who sell them must meet certain registration requirements with both the Securities Division and the Insurance Division.

To inquire about the registration of an agent/broker or a viatical product call:

TENNESSEE SECURITIES DIVISION  
Suite 680, Davy Crockett Tower  
500 James Robertson Parkway  
Nashville, Tennessee 37243-0575  
800-863-9117 or 615-741-5900  
[www.state.tn.us/commerce/securities](http://www.state.tn.us/commerce/securities)

or

TENNESSEE INSURANCE DIVISION  
888-416-0868 OR 615-741-2693